

# **PUBLIC DISCLOSURE**

July 20, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Cape Cod Co-operative Bank  
Certificate Number: 26517

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Yarmouth Port, Massachusetts 02675

Division of Banks  
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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **High Satisfactory** by the Massachusetts Division of Banks (Division) and **Satisfactory** by the FDIC. *Although the agencies agree on the institution's overall performance, the FDIC's rating matrix does not include a High Satisfactory rating.*

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

### **The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage loans and small business loans in its assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout its assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending test rating.

### **The Community Development Test is rated Outstanding.**

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation, conducted jointly by the FDIC and the Division, assesses Cape Cod Co-operative Bank's (CCCB) CRA performance from the prior evaluation, dated October 16, 2017, through the current evaluation, dated July 20, 2020. Examiners used the Interagency Intermediate Small Bank (ISB) Examination Procedures to evaluate the bank's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test evaluates the bank's performance based on the LTD ratio, assessment area concentration, geographic distribution, borrower profile, and response to CRA complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services, as well as the bank's responsiveness to the community development needs of the assessment area.

Banks evaluated under these procedures must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Activities Reviewed**

Examiners determined home mortgage and small business loans are the bank's major product lines based on the bank's business strategy as well as the number and dollar volume of the loan products. Neither small farm loans nor consumer loans represent a major product line for the bank; therefore, they provided no material support for conclusions or ratings and are not presented. The bank's home mortgage lending received more weight during this evaluation due to the larger volume of loans originated compared to the volume of small business loans originated.

All home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LAR) for 2017, 2018, and 2019 were considered during the Lending Test. The bank reported 533 HMDA loans totaling \$159.5 million in 2017, 438 HMDA loans totaling \$130.0 million in 2018, and 455 HMDA loans totaling \$134.4 million in 2019. Examiners compared the bank's 2017 and 2018 HMDA data to 2017 and 2018 aggregate lending data, respectively, and demographic data from the 2015 American Community Survey (ACS). Aggregate lending data for 2019 was not available at the time of the evaluation; therefore, 2019 data was compared to demographic data.

Due to the bank's asset size, it is not required to collect and report small business loan data; however, the bank collected the data and provided examiners with a list of small business loans originated in 2017, 2018, and 2019. The bank originated 94 small business loans totaling \$26.8 million in 2017, 64 small business loans totaling \$11.3 million in 2018, and 88 small business loans totaling \$21.9 million in 2019. Examiners compared the bank's small business loan data to

D&B demographic data. CCCB's small business data was not compared to aggregate data because it does not report its small business loans.

The bank's financial data referenced in the evaluation is from the March 31, 2020 Consolidated Report of Condition and Income (Call Report), unless otherwise noted. The ratings in the Lending Test were evaluated with a greater emphasis on the number of loans and not dollar amount of the loans, as the quantity of loans more accurately reflects the number of individuals and businesses served in the community.

The Community Development Test considers the number and dollar amount of the bank's community development loans, the number and dollar amount of qualified investments, and the quantity of community development services. Examiners evaluated the bank's performance in the Community Development Test based on the review period, which spans from the prior evaluation date of October 16, 2017, through the current evaluation date of July 20, 2020.

## **DESCRIPTION OF INSTITUTION**

### **Background**

CCCB, headquartered in Yarmouth Port, Massachusetts, is a mutual community bank owned by Coastal Affiliates, a mutual holding company. At the previous joint CRA Performance Evaluation on October 16, 2017, the FDIC and Division evaluated the bank using Interagency ISB Examination Procedures. The FDIC and Division assigned a Satisfactory rating to the bank.

### **Operations**

CCCB operates nine full-service branches and three limited-service branches in Barnstable County, Massachusetts. The bank's full-service branches are located in East Dennis, East Harwich, Falmouth, Hyannis, Marstons Mills, North Falmouth, Sandwich, West Barnstable, and Yarmouth Port. Two of the bank's limited-service branches are located in Yarmouth Port and the other limited-service branch is located in South Yarmouth. CCCB has not opened or closed any branches during the review period. A deposit-taking ATM is available at each branch, and the bank is a member of the Allpoint ATM network, which provides its customers access to ATM locations across the nation.

The bank offers a wide range of loan products including home mortgage, business, and consumer loans; primarily focusing on residential mortgage lending. The bank also offers personal and business credit cards. In addition, in March 2020, the bank began offering Small Business Administration (SBA) Paycheck Protection Program (PPP) loans in response to the COVID-19 pandemic.

Deposit products include consumer and business checking accounts, savings accounts, money market accounts, and certificates of deposit. CCCB also offers alternative systems for delivering retail-banking services, such as online and mobile banking and person-to-person payments.

## **Ability and Capacity**

As of March 31, 2020 CCCB reported \$959.5 million in total assets, \$838.6 million in total loans, and \$822.2 million in total deposits. Since the prior evaluation, total assets have increased by 6.2 percent, total loans have increased by 6.0 percent, and total deposits have increased by 7.7 percent.

The loan portfolio reflects a focus on residential real estate lending and the dollar amount of residential loans has remained relatively the same since the prior evaluation. However, the bank's residential lending distribution by percentage of its portfolio has decreased slightly by 4.3 percentage points. The small change in loan portfolio distribution results from the bank's growth in its commercial portfolio, which has increased by 5.0 percentage points, or \$52.9 million, since the prior evaluation. The following table illustrates the composition of the bank's loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	40,989	4.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	546,940	65.2
Secured by Multi-family (5 or more) Residential Properties	11,441	1.4
Secured by Non-farm Non-Residential Properties	203,697	24.3
<b>Total Real Estate Loans</b>	<b>803,067</b>	<b>95.8</b>
Commercial and Industrial Loans	34,711	4.1
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	862	0.1
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>838,640</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

There were no financial, legal, or other impediments observed that would limit the bank's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires financial institutions to define one or more assessment areas within which examiners will evaluate its CRA performance. CCCB designated one single assessment area to include the following towns in Barnstable County: Barnstable, Bourne, Dennis, Falmouth, Harwich, Mashpee, Sandwich, and Yarmouth. Barnstable County comprises the Barnstable Town, Massachusetts Metropolitan Statistical Area (MSA) (Barnstable Town MSA). The Town of Barnstable is broken up into the following seven villages: Barnstable Village, Centerville, Cotuit, Hyannis, Marstons Mills, Osterville, and West Barnstable. The assessment area has not changed since the prior evaluation.

## **Economic and Demographic Data**

The bank's assessment area includes 45 census tracts. Below is a list of the assessment area's census tract income designations according to 2015 ACS data.

- 1 low-income census tract,
- 5 moderate-income census tracts,
- 31 middle-income census tracts, and
- 8 upper-income census tracts.

Similar to the prior evaluation, the low-income census tract is located in Barnstable Town. The number of moderate-income census tracts has decreased by one census tract since the previous evaluation due to a change in census data. Bourne, Yarmouth (2), and Barnstable Town (2) contain the assessment area's moderate-income census tracts. Specifically, the low- and moderate-income census tracts within Barnstable Town are located in the village of Hyannis.

The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	45	2.2	11.1	68.9	17.8	0.0
Population by Geography	180,279	1.6	9.7	69.2	19.5	0.0
Housing Units by Geography	122,957	1.6	9.9	69.7	18.7	0.0
Owner-Occupied Units by Geography	61,326	0.5	8.1	71.2	20.3	0.0
Occupied Rental Units by Geography	16,681	7.4	17.7	61.2	13.6	0.0
Vacant Units by Geography	44,950	1.1	9.6	70.8	18.5	0.0
Businesses by Geography	17,721	9.6	8.8	63.0	18.6	0.0
Farms by Geography	699	2.9	6.3	72.5	18.3	0.0
Family Distribution by Income Level	48,454	19.2	18.2	23.0	39.6	0.0
Household Distribution by Income Level	78,007	24.2	15.5	18.5	41.7	0.0
Median Family Income MSA - 12700 Barnstable Town, Massachusetts MSA		\$80,751	Median Housing Value			\$356,870
			Median Gross Rent			\$1,143
			Families Below Poverty Level			5.3%
<i>Source: 2015 ACS Census and 2019 D&amp;B Data            Due to rounding, totals may not equal 100.0            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The number of vacant units in the bank’s assessment area accounts for 36.6 percent of the total housing units available in the area. Although unowned homes are a portion of the vacant units, the high percentage of vacant units is primarily due to the significant amount of housing units used as second homes. The high percentage of vacant units combined with the number of rental units equates to 50.1 percent of all housing units in the assessment area, reflecting limited availability of owner-occupied housing stock. Homeownership opportunities for individuals in low- and moderate-income census tracts are limited even further as only 8.6 percent of all owner-occupied units in the bank’s assessment area exist in the low- and moderate-income census tracts.

Furthermore, the median housing value is high when compared to the median income of low- and moderate-income individuals, which may limit the ability of those individuals to qualify for a home mortgage. The limited opportunities for homeownership and difficulty of low- and moderate-income individuals in qualifying for a home mortgage could affect CCCB’s ability to originate home mortgages among low- and moderate-income individuals and areas within its assessment area. The table below includes median family income ranges for the Barnstable Town MSA.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Barnstable Town, Massachusetts MSA Median Family Income (12700)</b>				
2017 (\$90,200)	<\$45,100	\$45,100 to <\$72,160	\$72,160 to <\$108,240	≥\$108,240
2018 (\$86,200)	<\$43,100	\$43,100 to <\$68,960	\$68,960 to <\$103,440	≥\$103,440
2019 (\$91,300)	<\$45,650	\$45,650 to <\$73,040	\$73,040 to <\$109,560	≥\$109,560
<i>Source: FFIEC</i>				

The economy of the Barnstable Town MSA relies on tourism due to a high level of visitors to Cape Cod beaches during the summer months. According to Moody’s Analytics, the top industry in the area is leisure and hospitality services, accounting for 19.2 percent of total employment. Education and health services account for 18.4 percent of total employment, and government services accounts for the third highest percentage of employment at 15.5 percent.

The top three major employers in the area are Cape Cod Healthcare Inc., Woods Hole Oceanographic Institution, and Hawthorne Motel. According to 2019 D&B data, out of the 17,721 businesses in the assessment area, 86.8 percent had a gross annual revenue (GAR) of \$1 million or less, 4.4 percent had a GAR of more than \$1 million, and 8.8 percent of businesses did not have available revenue data.

According to the U.S. Bureau of Labor Statistics, the unemployment rate in the Barnstable Town MSA has decreased from 4.5 percent in 2017 to 3.7 percent in 2019. These levels reflect a decrease from the prior evaluation, but they continue to exceed the statewide unemployment rate of 2.9 percent in 2019. Furthermore, during the worldwide COVID-19 pandemic, the unemployment rate for the Barnstable Town MSA reached 18.5 percent in June 2020, compared to the statewide unemployment rate of 17.4 percent.



In response to the pandemic, the Massachusetts governor declared a state of emergency on March 10, 2020. All non-essential businesses temporarily closed and Massachusetts issued a stay-at-home order for its residents. According to Moody's Analytics, leisure and hospitality services, retail trade, and transportation industries have been severely affected, and recovery will take longest for those industries due to the fear of virus transmittal, consumer uncertainty about finances, and social distancing restrictions.

The Barnstable Town MSA faced particular hardship from the pandemic. The economy, reliant on leisure and hospitality, experienced job cuts that ranked among the worst in the nation. Moody's Analytics estimated that over 25.0 percent of individuals in the Barnstable Town MSA lost their jobs between February 2020 and May 2020. As the pandemic continues throughout 2020, consumers remain cautious and the demand for retail or leisure services will remain low. Furthermore, Moody's Analytics expects the recession caused by the pandemic to continue for the Barnstable Town MSA, as lower demand for services causes the permanent closure of restaurants, bars, and hotels.

### **Competition**

CCCB's assessment area is competitive for financial services. According to 2019 Peer Deposit data, nine financial institutions operated 81 branches in the bank's assessment area. The Cape Cod Five Cents Savings Bank had the largest deposit market share at 26.3 percent, followed by TD Bank, which had a 14.4 percent deposit market share. CCCB had the third largest deposit market share of 12.7 percent.

CCCB's assessment area is competitive for home mortgage loans, as well. In 2017, 384 lenders originated or purchased home mortgage loans in CCCB's assessment area. In 2018, the total number decreased to 382 lenders. Large financial institutions generally dominate the market share for home mortgages originated or purchased in the assessment area. In both 2017 and 2018, the Cape Cod Five Cents Savings Bank had the largest market share at 12.7 percent and 15.1 percent, respectively. CCCB had the second largest market share in 2017 with 4.9 percent; however, in 2018, it dropped to the fifth with a 3.8 percent market share. The institutions that ranked ahead of CCCB's in 2018 were Citizens Bank (7.5 percent market share), Wells Fargo Bank (4.1 percent market share), and Rockland Trust Company (4.1 percent market share).

CCCB is not required to report small business loans; however, the analysis of 2018 small business aggregate data provides insight to the high competition within Barnstable County. In 2018, 80 small business lenders originated or purchased 7,806 small business loans in Barnstable County. The top three small business lenders were American Express National Bank (24.8 percent market share), Chase Bank (9.0 percent market share), and Bank of America (7.9 percent market share). The large resource size and national presence of the top lenders present high competition for smaller lenders to originate small business loans in Barnstable County.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the credit and community development needs of the area. Examiners contacted two organizations that serve the Barnstable Town MSA. The information provided by the organizations assisted in identifying needs and opportunities in the assessment area.

Examiners contacted a local nonprofit organization dedicated to affordable housing development. The contact explained that affordable housing, especially for the Cape Cod workforce, is critical. The high number of second homes in the area owned by non-residents puts upwards pressure on housing prices; therefore, individuals in the area's workforce struggle to afford housing. According to the contact, opportunities exist for credit-building and financial education programs to enable residents to qualify for home mortgages and to better manage their finances. The contact noted that financial institutions in the area have been responsive in extending construction loans to finance affordable housing initiatives.

Examiners also contacted an individual involved with community development planning for a regional government department. The contact cited workforce retention; environmental challenges, such as wastewater infrastructure needs; and affordable housing as major challenges in the community. Workforce retention, according to the contact, is a major obstacle on Cape Cod due to the difficulty in retaining local businesses. On Cape Cod, businesses must contend with limited regional infrastructure, a seasonal economy, and a limited pool of qualified workers living in the area.

Additionally, the contact emphasized the impact of the COVID-19 pandemic on Cape Cod residents and businesses. The pandemic negatively affected the Cape Cod community due to the restrictions placed on the local economy's biggest industries. The contact stated that opportunities exist for smaller cash injections to assist small businesses with purchasing precautionary equipment necessitated by the pandemic. Furthermore, the contact explained that most organizations and businesses in the area prefer grants instead of loans due to the uncertainty of future income. Finally, the contact also stated that construction loans to finance multi-family housing or affordable housing would benefit to local residents.

## **Credit and Community Development Needs and Opportunities**

Examiners considered information gathered from the community contacts, the bank, and available economic data to determine the primary credit needs of the assessment area. Affordable housing is one of the primary community needs in the area, with an emphasis on availability of housing stock and credit-building programs to assist low- and moderate-income individuals in qualifying for a home mortgage. Additionally, low- and moderate-income residents would benefit from financial education programs that focus on budgeting for a seasonal income.

Furthermore, pandemic relief through community development programs is a current need for residents and businesses. Financial institutions have an opportunity to provide much-needed grants to community development organizations that specialize in providing community services

to low- and moderate-income individuals who have been negatively impacted by the COVID-19 pandemic. Finally, economic development opportunities exist in the form of loans to small businesses to support job retention of low- and moderate-income individuals and within low- and moderate-income geographies.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

CCCB demonstrated reasonable performance under the Lending Test. The bank's home mortgage lending performance to moderate-income borrowers and in moderate-income census tracts, as well as its small business lending in the low-income tract primarily supports this conclusion.

### Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, as calculated from Call Report data, averaged 100.0 percent over the past 10 quarters since the previous evaluation, ranging from a low of 96.1 percent as of September 30, 2019 to a high of 102.2 percent as of June 30, 2018. Overall, CCCB has a relatively stable LTD ratio despite competition for loans with larger financial institutions in its assessment area.

As shown in the table below, the bank's LTD ratio is similar to similarly situated institutions. Examiners selected the comparable institutions based on their asset size and similar market area.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank Name</b>	<b>Total Assets as of March 31, 2020 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Cape Cod Co-operative Bank</b>	<b>959,534</b>	<b>100.0</b>
Martha's Vineyard Bank	864,925	113.0
Seamens Bank	383,164	84.7
<i>Source: Consolidated Reports of Condition and Income</i>		

### Assessment Area Concentration

CCCB originated a majority, by both number and dollar amount, of home mortgage and small business loans inside its assessment area. The following table illustrates the bank's home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside	Outside		Total	
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2017	424	79.5	109	20.5	533	121,095	75.9	38,376	24.1	159,471
2018	358	81.7	80	18.3	438	98,842	76.0	31,132	24.0	129,974
2019	374	82.2	81	17.8	455	107,616	80.1	26,777	19.9	134,393
<b>Subtotal</b>	<b>1,156</b>	<b>81.1</b>	<b>270</b>	<b>18.9</b>	<b>1,426</b>	<b>327,553</b>	<b>77.3</b>	<b>96,285</b>	<b>22.7</b>	<b>423,838</b>
Small Business										
2017	73	77.7	21	22.3	94	20,714	77.3	6,082	22.7	26,796
2018	53	82.8	11	17.2	64	8,953	79.1	2,366	20.9	11,319
2019	64	72.7	24	27.3	88	15,659	71.4	6,286	28.6	21,945
<b>Subtotal</b>	<b>190</b>	<b>77.2</b>	<b>56</b>	<b>22.8</b>	<b>246</b>	<b>45,326</b>	<b>75.5</b>	<b>14,734</b>	<b>24.5</b>	<b>60,060</b>
<b>Total</b>	<b>1,346</b>	<b>80.5</b>	<b>326</b>	<b>19.5</b>	<b>1,672</b>	<b>372,879</b>	<b>77.1</b>	<b>111,019</b>	<b>22.9</b>	<b>483,898</b>
<i>Source: 1/1/2017 - 12/31/2019 Bank Data; Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the bank's assessment area. CCCB's performance in home mortgage lending in moderate-income census tracts and its performance in small business lending in the low-income census tract primarily supports this conclusion.

#### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects excellent dispersion among low- and moderate-income census tracts. The following table illustrates the bank's home mortgage lending activity by census tract level.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	0.5	0.8	2	0.5	162	0.1
2018	0.5	0.6	9	2.5	3,838	3.9
2019	0.5	--	0	0.0	0	0.0
Moderate						
2017	8.1	8.8	33	7.8	8,738	7.2
2018	8.1	8.3	31	8.7	9,948	10.1
2019	8.1	--	35	9.4	8,067	7.5
Middle						
2017	71.2	70.1	302	71.2	83,328	68.8
2018	71.2	71.4	256	71.5	67,990	68.8
2019	71.2	--	277	74.1	79,160	73.6
Upper						
2017	20.3	20.3	87	20.5	28,867	23.8
2018	20.3	19.8	62	17.3	17,066	17.3
2019	20.3	--	62	16.6	20,389	18.9
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>424</b>	<b>100.0</b>	<b>121,095</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>358</b>	<b>100.0</b>	<b>98,842</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>374</b>	<b>100.0</b>	<b>107,616</b>	<b>100.0</b>

*Source: 2015 ACS Census; Bank Data; 2017 and 2018 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0*

In 2017, the bank's percentage of loans in the low-income census tract mirrored the percentage of owner-occupied units in that tract, but was lower than the aggregate performance. In 2018, the bank significantly outperformed the percentage of owner-occupied units and the aggregate performance in the low-income census tract. Although CCCB did not originate any home mortgage loans in the low-income census tract in 2019, the bank faces a challenge in lending in the low-income census tract because the credit demand does not always present home mortgage lending opportunities. In addition, market share data and aggregate performance for 2019 was unavailable, and the limited housing stock in the low-income census tract presents a limited lending opportunity for CCCB. Specifically, the assessment area only contains one low-income census tract in Hyannis, an industrial area, with only 0.5 percentage of owner-occupied housing units existing in the tract.

CCCB's performance in moderate-income census tracts reflects a steady increase in the percentage of loans originated throughout the evaluation period. In 2017, the bank's lending was below the aggregate and percentage of owner-occupied housing units. However, in 2018 and 2019, the bank's lending was above both the percentage of owner-occupied housing units and, when applicable, the aggregate performance.

Market share data supports the bank’s excellent lending performance in moderate-income census tracts. In 2017, 157 lenders originated or purchased a home mortgage loan in a moderate-income census tract, and in 2018, 148 lenders originated or purchased a home mortgage loan in a moderate-income census tract. In both 2017 and 2018, CCCB ranked fourth in number of loans within the moderate-income census tracts with a 4.4 percent and 3.9 percent market share, respectively. In both 2017 and 2018, the top three lenders were larger regional and national lenders. Despite the competition for loans in moderate-income census tracts from larger and national financial institutions, CCCB performs well for an institution of its size. Specifically, the bank’s similarly situated institutions, Martha’s Vineyard Bank and Seamens Bank, both had a significantly lower market share within moderate-income census tracts. Martha’s Vineyard Bank had a 0.0 percent market share in 2017 and 2018, and Seamens Bank had a 0.0 percent market share in 2017 and a 0.1 percent market share in 2018.

### ***Small Business Loans***

The distribution of small business loans reflects reasonable dispersion among low- and moderate-income census tracts. The table below shows CCCB’s lending activity by census tract level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2017	9.7	10	13.7	2,867	13.8
2018	9.9	10	18.9	1,276	14.3
2019	9.6	9	14.1	1,891	12.1
<b>Moderate</b>					
2017	8.5	6	8.2	1,857	9.0
2018	8.5	3	5.7	270	3.0
2019	8.8	3	4.7	988	6.3
<b>Middle</b>					
2017	62.9	47	64.4	13,015	62.8
2018	62.9	30	56.6	5,130	57.3
2019	63.0	45	70.3	11,159	71.3
<b>Upper</b>					
2017	18.9	10	13.7	2,975	14.4
2018	18.6	10	18.9	2,277	25.4
2019	18.6	7	10.9	1,621	10.4
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>20,714</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>8,953</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>15,659</b>	<b>100.0</b>
<i>Source: 2017, 2018, and 2019 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>					

In 2017, 2018, and 2019 CCCB's small business lending exceeded the percentage of businesses located in the low-income census tract in all three years, respectively. In 2017, 2018, and 2019 CCCB's small business lending in moderate-income census tracts is below the percentage of small businesses for all three years, respectively. However, the percentage of small businesses in moderate-income census tracts does not necessarily correlate with the credit needs of small businesses in the area. Furthermore, CCCB competes against larger national lenders for small business loans. Therefore, the bank's lending performance is reasonable considering its lending in the low-income census tract and the competition it faces in the low- and moderate-income census tracts.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. CCCB's home mortgage lending to moderate-income borrowers primarily supports this conclusion.

### ***Home Mortgage Loans***

The bank's performance reflects reasonable penetration of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers. The following table illustrates the bank's home mortgage lending activity by borrower income level. Borrower income level indicated by the designation "Not Available" reflects home mortgage loans made by CCCB to a commercial borrower.



<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	19.2	6.5	26	6.1	4,271	3.5
2018	19.2	6.1	15	4.2	1,707	1.7
2019	19.2	--	16	4.3	2,096	1.9
<b>Moderate</b>						
2017	18.2	18.2	74	17.5	14,653	12.1
2018	18.2	16.4	67	18.7	12,182	12.3
2019	18.2	--	79	21.1	15,707	14.6
<b>Middle</b>						
2017	23.0	21.8	112	26.4	28,582	23.6
2018	23.0	21.8	94	26.3	21,865	22.1
2019	23.0	--	97	25.9	25,342	23.5
<b>Upper</b>						
2017	39.6	43.2	208	49.1	72,477	59.9
2018	39.6	45.2	167	46.6	54,406	55.0
2019	39.6	--	177	47.3	63,015	58.6
<b>Not Available</b>						
2017	0.0	10.3	4	0.9	1,112	0.9
2018	0.0	10.5	15	4.2	8,682	8.8
2019	0.0	--	5	1.3	1,456	1.4
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>424</b>	<b>100.0</b>	<b>121,095</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>358</b>	<b>100.0</b>	<b>98,842</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>374</b>	<b>100.0</b>	<b>107,616</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; Bank Data; 2017 and 2018 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

CCCB's lending performance to low-income borrowers in 2017, 2018, and 2019 was below both the percentage of owner-occupied housing units and, when applicable, the aggregate performance. However, the competition from larger national and regional lenders in the area continues to pose a challenge for CCCB and other similarly sized institutions. In addition, lending to low-income borrowers within the assessment area is challenging due to the economic demographics. Specifically, the housing prices in the area compared to the median family income range for low-income individuals result in a difficulty for these individuals to qualify for a home mortgage. Given these factors, the bank's lending to low-income borrowers is reasonable.

CCCB's lending to moderate-income borrowers reflects a steady increase in the percentage of loans originated by the bank throughout the evaluation period. In 2017, the bank's lending performance to moderate-income borrowers was below both the percentage of owner-occupied

housing units and the aggregate performance. However, in 2018 and 2019, the bank’s lending performance to moderate-income borrowers was above both the percentage of owner-occupied housing units and, when applicable, the aggregate performance. The bank’s lending performance to moderate-income borrowers is reasonable based on its 2018 and 2019 lending.

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table illustrates the bank’s small business loans by GAR level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2017	85.9	39	53.4	10,906	52.7
2018	85.6	26	49.1	4,341	48.5
2019	86.8	29	45.3	5,896	37.7
<b>&gt;\$1,000,000</b>					
2017	5.0	34	46.6	9,808	47.4
2018	4.9	27	50.9	4,612	51.5
2019	4.4	34	53.1	9,578	61.2
<b>Revenue Not Available</b>					
2017	9.2	0	0.0	0	0.0
2018	9.5	0	0.0	0	0.0
2019	8.8	1	1.6	185	1.2
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>20,714</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>8,953</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>15,659</b>	<b>100.0</b>
<i>Source: 2017, 2018, &amp; 2019 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>					

The number of CCCB’s loans to businesses with GARs of \$1 million or less increased from 2018 to 2019, although the increase is not reflected in the bank’s total lending percentages to these businesses. CCCB’s lending remained below the percentage of businesses with GARs of \$1 million or less for 2017, 2018, and 2019; however, the percentage of businesses with GARs of \$1 million or less does not necessarily capture the credit demand of these businesses. Furthermore, CCCB competes with larger institutions in its assessment area, and despite its limited resources and size compared to other financial institutions in the area; the bank originated approximately half of its small business loans to businesses with GARs of \$1 million or less.

## **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

### **Community Development Loans**

The bank originated 32 community development loans totaling approximately \$36.0 million during the evaluation period. This activity level represents 3.8 percent of average total assets and 4.4 percent of average total loans since the prior CRA evaluation. The total includes seven loans for \$3.5 million originated in a broader statewide regional area. Although these loans do not benefit the bank's assessment area directly, examiners considered them favorably, as the bank was responsive to the community development needs of its assessment area.

The bank's community development lending primarily financed activities that helped promote economic development, which is consistent with one of the identified community development needs of the assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	2	4,440	21	24,951	0	0	23	29,391
2019	0	0	0	0	6	5,501	0	0	6	5,501
YTD 2020	0	0	0	0	3	1,141	0	0	3	1,141
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4,440</b>	<b>30</b>	<b>31,593</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>36,033</b>

*Source: Bank Records*

Below are notable examples of the bank's community development loans.

- During the evaluation period, the bank originated 28 SBA 504 loans totaling \$31.4 million. The SBA 504 loan program is an economic development loan program that offers financing to small businesses while promoting business growth and job creation.
- In 2018, the bank originated a loan totaling \$3.9 million to a federally qualified health center located inside the bank's assessment area. Federally qualified health centers

provide affordable healthcare to medically underserved areas, primarily serving low- and moderate-income individuals.

### ***Paycheck Protection Program Loans***

In addition to the community development loans noted above, as a response to the COVID-19 pandemic, in 2020, the bank originated 872 PPP loans totaling \$75.1 million. Administered by the SBA and part of the Coronavirus Aid, Relief, and Economic Security Act, PPP loans help businesses retain workers and staff during the economic crisis caused by the pandemic. The SBA will forgive loans if they meet certain employee retention criteria and use the funds for eligible expenses. Of the 872 PPP loans originated by the bank, 85 loans totaling \$8.3 million were originated to businesses located in the low-income census tract, and 43 loans totaling \$3.6 million were originated to businesses located in moderate-income census tracts, in the bank's assessment area. As an ISB, CCCB can elect to have small business loans with amounts \$1.0 million or less considered under the Lending Test or Community Development Test. CCCB elected to include these loans under the Community Development Test.

The PPP loans in the bank's assessment area are particularly responsive as they helped retain jobs in low- and moderate-income tracts, as well as stabilize the areas. As noted earlier, the pandemic severely affected the Cape Cod community due to the restrictions placed on the local economy's biggest industries including leisure and hospitality services.

The following are examples of the bank's PPP loans.

- CCCB originated a \$1.7 million loan to an organization that provides afterschool tutoring for students from low- and moderate-income areas.
- CCCB originated a \$2.1 million loan to a federally qualified health center that provides affordable healthcare to low- and moderate-income individuals and families on Cape Cod.
- CCCB originated a \$266,000 loan to a nonprofit organization that promotes economic and environmental sustainability, expanding opportunities for low- and moderate-income residents, and preserving the cultural and historic character of the Lower Cape Cod region.

### **Qualified Investments**

The bank made 64 qualified investments totaling approximately \$1.4 million, which includes two prior period equity investments totaling approximately \$1.0 million and 62 donations totaling approximately \$346,000. CCCB's total qualified investments reflects an increase of approximately \$786,000 since the prior evaluation. The dollar amount of equity investments equals 0.1 percent of average total assets and 2.0 percent of average total securities.

By dollar amount, a majority of the investments promoted affordable housing for low- and moderate-income individuals. These investments demonstrate the bank's responsiveness to the

affordable housing needs of the assessment area. The following table illustrates the bank's community development investments by year and purpose.

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	1	512	0	0	1	500	0	0	2	1,012
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	1	512	0	0	1	500	0	0	2	1,012
Qualified Grants & Donations	11	73	48	269	3	4	0	0	62	346
<b>Total</b>	<b>12</b>	<b>585</b>	<b>48</b>	<b>269</b>	<b>4</b>	<b>504</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>1,358</b>

*Source: Bank Records*

Below are notable examples of the bank's community development investments.

### ***Equity Investments***

The bank continues to hold two prior period investments totaling approximately \$1.0 million.

- The bank holds an investment in a SBA Loan Fund. The fund targets small businesses in low- and moderate-income tracts that employ low- and moderate-income individuals. This investment impacts a regional area that includes the bank's assessment area. The current book value of this investment is \$500,000.
- The bank holds an investment in a CRA bond fund that invests in debt securities and other debt instruments that provide community development activities to low- and moderate-income individuals and low- and moderate-income census tracts. This includes affordable housing, revitalization and stabilization, economic development, and disaster recovery. This investment impacts a regional area that includes the bank's assessment area. The current book value of this investment is \$511,910.

### ***Donations***

The bank established a charitable foundation in 2018. Qualified donations through both the bank and the charitable foundation totaled approximately \$346,000 during the evaluation period. This total is an increase from the last evaluation where qualified donations totaled approximately \$57,000. The following are some examples of the recipients of the bank's donations.

- **Housing Assistance Corporation** - This organization provides a variety of affordable housing services to low- and moderate-income individuals. These services include homeless prevention, housing stabilization, and financial counseling.

- **Community Development Partnership** - This organization creates and maintains affordable housing for low- and moderate-income individuals, provides assistance and loans to small businesses, provides first time homebuyer classes, and provides communities with the tools and knowledge to support affordable housing initiatives.
- **Duffy Health Center** - This organization provides comprehensive, integrated health care and support services to individuals and families who are experiencing homelessness or are at risk of homelessness in the bank’s assessment area. The organization improves the quality of life for low- and moderate-income individuals and families through community collaboration, leadership, and advocacy.

**Community Development Services**

During the evaluation period, employees provided 55 instances of financial expertise or technical assistance to seven different community development-related organizations. The number of community development services provided by bank employees increased by 18 community development services performed since the prior evaluation. The majority of the activities benefitted organizations that provide community services to low- and moderate-income individuals. The following table illustrates the bank’s community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2017	0	0	0	0	<b>0</b>
2018	0	8	0	0	<b>8</b>
2019	0	22	17	0	<b>39</b>
YTD 2020	0	0	8	0	<b>8</b>
<b>Total</b>	<b>0</b>	<b>30</b>	<b>25</b>	<b>0</b>	<b>55</b>
<i>Source: Bank Records</i>					

The following are examples of the bank’s community development services.

- **WE CAN** - This organization provides legal aid services, financial coaching, workforce development, and other services to low- and moderate-income women on Cape Cod. A bank officer serves on the organization’s board of directors. In addition, several bank employees provide their financial expertise to the organization by helping with job application preparation, financial education, and connections to local resources.
- **YMCA of Cape Cod** - This organization provides a variety of services targeting low- and moderate-income individuals including free meals to children during the summer months, childcare services, and financial assistance to families. A bank officer serves on

the organization's board of directors, and works with low- and moderate-income students in a college and workforce readiness program.

- **Elder Services of Cape Cod and the Islands** - This organization provides low- and moderate-income elders with a money management program, job training, affordable housing, protective services against financial exploitation, meal delivery services, screening for Medicaid reimbursed services, and a home care program. A board member of the bank serves on the organization's executive board.

#### *Other Services*

- The bank helped customers and businesses affected by the COVID-19 pandemic by waiving late fees on residential loans and waiving certain deposit fees. For retail lending activities, this includes forbearance and modifications for both residential and commercial loan borrowers.
- The bank maintains Interest on Lawyers' Trust Accounts (IOLTA) and facilitates fundraising for CRA-qualified community organizations. Interest earned on the accounts assists in delivering critical legal aid to low-income Massachusetts residents. The bank is a Massachusetts IOLTA Leadership Institution, which is reserved for those institutions that go beyond the eligibility requirements.

#### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## **APPENDIX A**

### **FAIR LENDING POLICIES AND PROCEDURES**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

### **MINORITY APPLICATION FLOW**

The bank's HMDA LARs for 2018 and 2019 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the bank's assessment area contained a total population of 180,279 individuals of which 9.6 percent are minorities. The minority population represented is 2.7 percent Black/African American, 1.5 percent Asian, 0.5 percent American Indian, 2.7 percent Hispanic or Latino, and 2.2 percent other.

The bank's loan data from 2018 was compared with that of the 2018 aggregate's loan data. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.



MINORITY APPLICATION FLOW					
RACE	Bank 2018 HMDA		2018 Aggregate Data	Bank 2019 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.2	0.4	0	0.0
Asian	1	0.2	0.9	5	1.1
Black/ African American	15	3.2	1.7	8	1.8
Hawaiian/Pacific Islander	1	0.2	0.1	1	0.2
2 or more Minority	0	0.0	0.1	1	0.2
Joint Race (White/Minority)	3	0.6	0.8	1	0.2
<b>Total Racial Minority</b>	<b>21</b>	<b>4.4</b>	<b>4.0</b>	<b>16</b>	<b>3.5</b>
White	404	86.5	76.4	393	88.7
Race Not Available	42	9.1	19.6	34	7.8
<b>Total</b>	<b>467</b>	<b>100.0</b>	<b>100.0</b>	<b>443</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	15	3.2	2.6	3	0.7
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.2	0.7	1	0.2
<b>Total Ethnic Minority</b>	<b>16</b>	<b>3.4</b>	<b>3.3</b>	<b>4</b>	<b>0.9</b>
Not Hispanic or Latino	400	85.7	76.0	371	83.8
Ethnicity Not Available	51	10.9	20.7	68	15.3
<b>Total</b>	<b>467</b>	<b>100.0</b>	<b>100.0</b>	<b>443</b>	<b>100.0</b>

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2017 and 2018

In 2018, the bank received 467 HMDA reportable loan applications within its assessment area. Of these applications, 21 or 4.4 percent were received from minority applicants. The aggregate received 4.0 percent of its applications from minority applicants. For the same time period, the bank received 16 or 3.4 percent of all applications from ethnic groups of Hispanic origin within its assessment area, compared to the aggregate at 3.3 percent.

In 2019, the bank received 443 HMDA reportable loan applications within its assessment area. Of these applications, 16 or 3.5 percent were received from minority applicants. The bank also received 4 or 0.9 percent of applications from ethnic groups of Hispanic origin within its assessment area.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2018, the bank's minority application flow is reasonable.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.